

## Fiscal Estimate - 2009 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

<b>LRB Number</b> <b>09-4432/2</b>	<b>Introduction Number</b> <b>SB-672</b>	
<b>Description</b> Compliance by employers with certain laws whose enforcement depends on the proper classification of persons as employees or nonemployees and providing penalties		
<b>Fiscal Effect</b>  <b>State:</b> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect  <input type="checkbox"/> Indeterminate                      <input type="checkbox"/> Increase Existing Appropriations                      <input type="checkbox"/> Decrease Existing Appropriations                      <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues  <input type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget                      <input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No  <input type="checkbox"/> Decrease Costs                 </div> </div> <b>Local:</b> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs  <input type="checkbox"/> Indeterminate                      1. <input type="checkbox"/> Increase Costs                      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                      2. <input type="checkbox"/> Decrease Costs                      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 33%;">                     3. <input type="checkbox"/> Increase Revenue                      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                      4. <input type="checkbox"/> Decrease Revenue                      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 33%;"> <b>5. Types of Local Government Units Affected</b>  <input type="checkbox"/> Towns    <input type="checkbox"/> Village    <input type="checkbox"/> Cities  <input type="checkbox"/> Counties    <input type="checkbox"/> Others  <input type="checkbox"/> School Districts    <input type="checkbox"/> WTCS Districts                 </div> </div>		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.445(1)(a)		
<b>Agency/Prepared By</b>  DWD/ Robert Anderson (608) 266-3345	<b>Authorized Signature</b>  Andrew Feldman (608) 266-2284	<b>Date</b>  4/13/2010

## Fiscal Estimate Narratives

DWD 4/13/2010

LRB Number	09-4432/2	Introduction Number	SB-672	Estimate Type	Original
<b>Description</b> Compliance by employers with certain laws whose enforcement depends on the proper classification of persons as employees or nonemployees and providing penalties					

### Assumptions Used in Arriving at Fiscal Estimate

Enforcement of this legislation by the department may be handled by the department's Equal Rights Division, Unemployment Compensation Division or the Workers Compensation Division. For purposes of this fiscal note the department is using the Equal Rights Officer - Senior position to estimate enforcement costs. Actual investigations will be performed either by these officers or comparable paid positions within the Unemployment Compensation or Workers Compensation Divisions.

The department anticipates that it will need to conduct 200 investigations per year of potential violations of this bill based either on complaints received or random inspections of construction sites. Based upon similar types of investigations the Equal Rights conducts in labor standards the department estimates each investigation will take about 10 hours to complete including conducting the investigation, issuing correction order where needed and doing follow-up to ensure the employer complied with the correction order or else to issue the stop work order on the construction project.

As previously mentioned these investigations will be performed by an Equal Rights Officer-Senior or equivalent position in the Unemployment Compensation or Workers Compensation Division. The Senior position costs the department \$78,036 per year with fringe benefits and supplies and services. The department anticipates it will one whole position in order to investigate the 200 cases per year generated by this bill.

The department anticipates that approximately 1/4 of the cases will result in stop work orders being issued and that 100% of these orders will be appealed to hearing. These hearings will be held by an administrative law judge and it will take about 15 hours per case to process these hearings and issue determinations. This represents about .36 of a full time position and will cost the department about \$49,890.

The department believes that it will incur one-time costs of \$2,000 to develop literature and to publicize the existence of this legislation to employers who work on construction projects.

### Long-Range Fiscal Implications

The department anticipates the first year costs will be on-going for the foreseeable future.

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

<b>LRB Number</b> <b>09-4432/2</b>	<b>Introduction Number</b> <b>SB-672</b>
<b>Description</b> Compliance by employers with certain laws whose enforcement depends on the proper classification of persons as employees or nonemployees and providing penalties	
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  The department will incur one time costs of \$2,000 to develop literature to publicize this legislation and to inform construction contractors of the various provisions of this bill.	
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>
	Increased Costs      Decreased Costs
<b>A. State Costs by Category</b>	
State Operations - Salaries and Fringes	\$101,770
(FTE Position Changes)	(1.4 FTE)
State Operations - Other Costs	26,050
Local Assistance	
Aids to Individuals or Organizations	
<b>TOTAL State Costs by Category</b>	<b>\$127,820</b>
<b>B. State Costs by Source of Funds</b>	
GPR	127,820
FED	
PRO/PRS	
SEG/SEG-S	
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>	
	Increased Rev      Decreased Rev
GPR Taxes	\$
GPR Earned	
FED	
PRO/PRS	
SEG/SEG-S	
<b>TOTAL State Revenues</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>	
	State      Local
NET CHANGE IN COSTS	\$127,820
NET CHANGE IN REVENUE	\$
<b>Agency/Prepared By</b>	
DWD/ Robert Anderson (608) 266-3345	<b>Authorized Signature</b>
	Andrew Feldman (608) 266-2284
	<b>Date</b>
	4/13/2010

## Fiscal Estimate - 2009 Session

☐ Original      ☒ Updated      ☐ Corrected      ☐ Supplemental

<b>LRB Number</b> <b>09-4432/2</b>	<b>Introduction Number</b> <b>SB-672</b>
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## Fiscal Estimate Narratives

DWD 4/14/2010

LRB Number	09-4432/2	Introduction Number	SB-672	Estimate Type	Updated
<b>Description</b> Compliance by employers with certain laws whose enforcement depends on the proper classification of persons as employees or nonemployees and providing penalties					

### Assumptions Used in Arriving at Fiscal Estimate

Based on expert commentary provided to a Task Force on Worker Classification established by the Department of Workforce Development (DWD), DWD would implement the provisions of SB672 (and companion bill, AB939) by employing 4 investigators. These staff would be managed by the staff in the Unemployment Insurance Division or other DWD divisions.

Investigators would be assigned to visit worksites and offices of employers of construction workers that DWD has reason to believe may be misclassifying employees as independent contractors. DWD would issue stop work orders where the employers are found to be out of compliance. It is estimated that the investigation workload would also require a half-time (0.5) support position, one-third (0.33) of an enforcement attorney position to represent the department in hearings of employer appeals, one-third (0.33) of an administrative law judge position to hear and decide the appeals, and one-quarter (0.25) of a legal secretary position.

Total salary and fringe benefit costs for the 5.42 positions would be \$323,000 and total other costs (for example, rent, travel, supplies, computers, telephones, and agency overhead) would be \$126,100 for a combined total of \$449,100.

Investigation results will be shared by DWD's Workers Compensation Division (enforcing workers compensation coverage requirements), Equal Rights Division (enforcing wage and hour regulations) and Unemployment Insurance Division (enforcing unemployment insurance requirements and coverage). The investigations would result in referrals to and coordination with the Wisconsin Department of Revenue. The response to such reports and routine referrals to these agencies are beyond the scope of impact of this statute.

Administration of the program would be provided by the unemployment insurance administrative operating grant for some or all of the program operations. Additional funding will be sought if necessary, including possible special federal funding for enforcement of worker classification compliance currently proposed; potential funding in the form of a supplemental budget request to the United States Department of Labor (USDOL) for program integrity; and state funding sources.

Revenues from employer forfeitures are unknown. The amount of such revenue will depend upon the number of investigations, rate of compliance and employer response to stop work orders. Employers are expressly permitted by the legislation to continue working while under a stop work order and incur forfeitures of \$250 per day. An employer working during a stop work order and 21-day appeal period would incur up to \$5,250 in forfeitures and \$1,000 per day thereafter.

The volume of additional employers' unemployment contributions and benefit payments is dependent on such employers' business and employment practices and practical responses by employers and workers to enforcement.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>
		Increased Costs      Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$323,000	\$
(FTE Position Changes)	(5.4 FTE)	
State Operations - Other Costs	126,100	
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$449,100</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED	449,100	
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$449,100	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DWD/ Richard Tillema (608) 267-9807	Andrew Feldman (608) 266-2284	4/14/2010